

Testimony on H.629
House Committee on Ways and Means
Peter Tucker
January 10, 2024

Thank you Chair and Committee

Vermont Association of Realtors® represents 1800 members who work with property owners every day. I have the benefit of a great Government Affairs Committee from across the state who review legislation and provide input. They have two overarching concepts for this legislation.

First, we need to ensure that taxpayers can remain in their homes. Regardless of how this legislation evolves, we should make every effort to help delinquent taxpayers fulfill their obligation to the town and remain in their homes.

In section 1e page 4 the proposed language provides for clear notice to the taxpayer, not only to request an abatement but also to encourage the taxpayer to apply for a property tax credit. If the delinquent taxpayer has not filed for the property tax credit this is apparent on the tax bill. The delinquent taxpayer should also be offered a repayment plan at this time before they fall too far behind to catch up. We support providing all these options to the taxpayer when they first fall delinquent, not wait until the tax sale is imminent.

Second, we need to be fair to all taxpayers who are fulfilling their obligations to support the town and school budgets. Current taxpayers should not bear the burden of non- performing properties.

Occasionally we work on the sale of tax sale properties, usually representing the interests of our client purchaser. We see the deterioration in these properties and wish they could have been transferred earlier. Their value is falling far below the grand list value, and they need significant rehabilitation.

These properties also affect the neighborhood, leading to lesser value for other properties creating blighted neighborhoods.

Municipalities need these properties returned to productive use, paying taxes, increasing the grand list, and housing Vermonters in this housing crisis.

Currents statute grants broad discretion to the town board of abatement to accommodate taxpayers experiencing difficulty paying their property taxes and falling into arrears.

Our concern with this bill is on the protracted timetable that the proposed new language would impose.

Taxpayer delinquency starts at the first instance of nonpayment and for a continual period of two years is a reasonable timeframe. Adding a requirement to exceed \$15,000 is unreasonable.

The offer to respond to a reasonable repayment plan should occur during the 2-year delinquency period, not extend the period.

Notice will add more time to this process. Changing from 10 to 30 days for a resident or 30 days for a nonresident will add consistency to the process. The additional requirement to use personal service to deliver the tax sale notice seems fair to align to the Vermont Rules of Civil procedure however it will add more time to the process.

Requiring the tax collector to disclose in the five most common languages will strain the resources of small towns.

The way interest is calculated on the overdue taxes should not change. While the interest rate applies a penalty to delinquent taxpayer it also serves other purposes.

The interest accrued on a tax sale property, during the right to redeem is an incentive to the purchaser of the tax lien. If this investor purchases the lien and then see the property redeemed by the taxpayer after one year, a rate of return of 12% is fair to accommodate this risk.

If the tax sale property is not redeemed, then the town will benefit from the 12% rate to compensate the town for the additional work and delay in the payment of property taxes.

Requiring the purchaser to compensate the delinquent tax payer at a rate of 80% of the grand list value (lagging behind the actual condition of the

property) takes away any incentive to enter into a tax lien. This will significantly shrink the purchaser pool leaving many tax lien properties the responsibility of the municipality.

To highlight our suggestions for this bill:

1. Keep the right to redeem at 1 year after the tax sale. With 2 years of arrears before the tax sale plus the 1-year redemption period, delinquent taxpayers have a total of 3 years to remedy their tax obligations.
2. Maintain the 12% interest rate, this is only fair to the municipality and provides an incentive to the investor to enter into a very risky purchase of a tax lien.
3. Support delinquent taxpayers with notice of their right to abatement, repayment plans and how to file for the property tax credit, at the first instance of delinquency.

We appreciate the opportunity to provide input on this bill and are available to collaborate with the committee and stakeholders to craft useful legislation.